

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /087 W

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R 110906Z SEP 76

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8609

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E.O. 11652: N/A

TAGS: EFIN, UR

SUBJECT: VISIT OF GOVERNOR PHILIP JACKSON, FEDERAL RESERVE BOARD,
TO USSR

1. SUMMARY. PHILIP JACKSON, MEMBER BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM, CALLED ON BANKING AND CURRENCY OFFICIALS
IN MOSCOW, SEPTEMBER 7. GOVERNOR JACKSON STRESSED THAT CURRENT
ECONOMIC AND DOMESTIC POLITICAL DIFFICULTIES OF US BANKS,
ESPECIALLY IN NEW YORK, MAKES THEM PARTICULARLY SENSITIVE TO NEED
FOR FULL INFORMATION CONCERNING PROSPECTIVE FOREIGN LOANS.
SOVIET BANKERS DID NOT REACT TO THIS OR INDICATE SPECIAL INTEREST
IN BORROWING ON US CAPITAL MARKET, BUT FOREIGN TRADE BANK DIRECTOR
ARGUED THAT FED'S POLICY IS TOO RESTRICTIVE. STATE BANK DIRECTOR
ACKNOWLEDGED THAT SOVIET ENTERPRISES ARE COMPLAINING ABOUT STATE
BANK CREDIT GUIDELINES FOR NEW CONSTRUCTION, BUT HE ASSERTED BANK
HAS "COURAGE" TO CONTROL DOMESTIC BANKING POLICY. END SUMMARY.

2. STRESSING HE WAS TOURIST ON HUNTING TRIP VACATION IN USSR,
GOVERNOR JACKSON CALLED ON DIRECTOR OF MAIN FOREIGN EXCHANGE
ADMINISTRATION BORIS V. MAYOROV IN THE MINISTRY OF FOREIGN TRADE,
FOREIGN TRADE BANK CHAIRMAN YURIY IVANON, STATE BANK CHAIRMAN
MEFODIY N. SVESHNIKOV AND (AT THE LATTER'S REQUEST) DR. YURIY

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BOBRAKOV OF THE USA/CANADA INSTITUTE OF THE SOVIET ACADEMY OF

SCIENCES. E/C COUNSELOR ACCOMPANIED JACKSON ON THESE CALLS, INCLUDING LUNCH HOSTED BY SVESHNIKOV AT STATE BANK.

3. JACKSON MENTIONED THAT CURRENT EMBARRASSMENT OF US PRIVATE BANKS MAKES THEM SENSITIVE TO NEED FOR FULL INFORMATION ABOUT PROSPECTIVE FOREIGN BORROWERS. HE ALSO EXPLAINED THAT THERE IS CONSIDERABLE DISAGREEMENT IN US ABOUT PROPER DEFINITION OF MONEY SUPPLY, SINCE TECHNOLOGY IS CHANGING FASTER THAN ATTITUDES TOWARDS MONEY. SOVIET INTERLOCUTORS DID NOT COMMENT ON IMPLIED NEED TO SUPPLY MORE INFORMATION (US PRIVATE BANKERS HERE HAVE TOLD US THAT SOVIETS SHOW GREAT SENSITIVITY AND CONSIDERABLE INDIGNATION WHEN THIS POINT IS RAISED). BUT FOREIGN TRADE BANK CHAIRMAN IVANOV COMMENTED THAT FED'S MONETARY POLICY WAS OVERLY RESTRICTIVE AND SAID IT IS CRITICIZED BY PRIVATE US BANKERS.

4. SOVIETS WERE RELUCTANT TO DISCUSS GOLD SALES POLICY. WHEN JACKSON REMARKED TO MAYOROV (MFT) THAT SITUATION IN SOUTH AFRICA COULD INFLUENCE MARKET, MAYOROV RESPONDED THAT THIS WAS ONE AMONG "MANY FACTORS" INFLUENCING GOLD MARKET. HE NOTED THAT IT IS HARD TO FORECAST SHORT TERM TRENDS. ANYWAY, HE SAID, THE MFT NO LONGER HANDLED FOREIGN TRADE IN GOLD, SINCE THIS WAS RESPONSIBILITY OF THE FOREIGN TRADE BANK. (FOREIGN TRADE BANK DIRECTOR IVANOV SUBSEQUENTLY DECLINED TO ENTER INTO ANY DISCUSSION OF GOLD, BUT THE DEPUTY WHOM WE UNDERSTAND TO HANDLE SALES OF GOLD COINS AND OTHER PRECIOUS STONES, EXPLAINED THAT MINISTRY OF FINANCE DETERMINES SOVIET GOLD SALES POLICY.)

5. STATE BANK CHAIRMAN SVESHNIKOV, NOTING THAT RATE OF GROWTH OF SOVIET GNP HAD BEEN DOWN IN 1975, PREDICTED THAT IT WOULD BE ABOUT SIX PERCENT IN 1976. HE STATED THAT EIGHT MONTH STATISTICS IN THE USSR SHOW A GAIN OF SLIGHTLY MORE THAN FIVE PERCENT OVER COMPARABLE PERIOD IN 1975. SERVICES ARE UP 9 PERCENT, CONSUMER GOOD 5 PERCENT.

6. AFTER DESCRIBING STATE BANK FUNCTIONS AS COMPRISING ALL DOMESTIC COMMERCIAL BANKING FUNCTIONS IN USSR, PLANNING THE MONEY INCOME OF THE POPULATION, PROFITS OF ENTERPRISES, ETC., SVESHNIKOV BOASTED THAT POWERS AVAILABLE TO BANK "LETS US REALLY RULE." STATE BANK HAS THE "COURAGE TO CONTROL ITSELF," HE ASSERTED. WHEN E/C COUNSELOR ASKED DURING LUNCHEON BANTER IF LIMITED OFFICIAL USE

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STATE BANK COULD ALSO CONTROL DOMESTIC ENTERPRISE'S APPETITE FOR NEW CONSTRUCTION LOANS, SVESHNIKOV DEMANDED TO KNOW "WHO IS COMPLAINING?" TOLD THAT RECENT SOVIET PRESS REPORT MENTIONED COMPLAINT FROM ENTERPRISE IN SIBERIA THAT STATE BANK'S CREDIT LINE IS RIGID, SVESHNIKOV LAUGHINGLY RESPONDED: "AND (COMPLAINTS COME) NOT ONLY FROM SIBERIA*"

7. GOVERNOR JACKSON'S CALL ON BOBRAKOV AT USA/CANADA INSTITUTE

WAS NOTEWORTHY ONLY FOR LATTER'S PROFESSED BEWILDERMENT WHY US SEES NEED TO INCREASE MILITARY SPENDING AND WHY DEFENSE BUDGET SHOUDL BE KEYED TO GNP. WHEN IT WAS POINTED OUT THAT SOVIETS ALSO DO PRODIGIOUS ARMS SPENDING WHICH DOES NOT ALWAYS APPEAR IN BUDGET, BOBRAKOV SAID RATHER LAMELY THAT HE THOUGHT PUBLISHED SOVIET BUDGET REFLECTED THE ACTUAL SITUATION.

8. SOVIETS WENT ALL OUT TO ENSURE THAT THEIR TOP BANKING OFFICIALS WERE ON HAND TO SHOW HOSPITALITY TO GOVERNOR JACKSON. THEY BETRAYED NO HINT, HOWEVER, THAT CONSIDERATIONS OF INTERNATIONAL FINANCE MIGHT PRESENTLY BE BOTHERING THEM. NEITHER THE RISING SOVIET DEBT NOR THE SINKING PRICE OF GOLD CAME UP, AND SVESHNIKOV IN PARTICULAR SOUGHT TO CONVEY ATTITUDE OF SELF-ASSURANCE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, BANKS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MOSCOW14348
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760343-1248
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760970/aaaachwb.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by ElyME>; APPROVED <08 SEP 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF GOVERNOR PHILIP JACKSON, FEDERAL RESERVE BOARD, TO USSR
TAGS: EFIN, UR, US, (JACKSON, PHILIP)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006